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64 - 65

65 - 66

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67 - 68

68 - 69

PROFITS • PROFITS

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LOBLAW INC.

1969 Annual Report

FISCAL YEAR ENDED MARCH 29, 1969



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UNITS
IN
OPERATION





Annual Report 1969

BOARD OF DIRECTORS

G. C. METCALF, Chairman

F. B. KRYSIAK
M. McCORMICK

M. D. GLEASON
R. M. MURRAY

E. L. JONES
G. D. PRICE

P. KARUKSTIS
W. S. ROBERTSON

OFFICERS

G. C. METCALF
Chairman of the Board of Directors

F. B. KRYSIAK
President & Chief Executive Officer

M. D. GLEASON
*Vice President
Finance & Secretary*

P. KARUKSTIS
*Vice President
Treasurer*

G. D. PRICE
*Vice President
Syracuse*

H. B. SMITH
*Vice President
Division Manager*

R. M. MURRAY
*Vice President
Store Operations*

M. F. McCORMICK
*Vice President
Legal & Real Estate*

J. C. GAJDA
*Vice President
Meat Operations*

R. L. HERRON
*Vice President
Personnel & Public Relations*

J. A. RITZ
Assistant Treasurer

EXECUTIVE OFFICES
678 Bailey Avenue
Buffalo, New York

SYRACUSE OFFICE
609 East Brighton Avenue
Syracuse, New York

GENERAL COUNSEL
Jaekle, Fleischmann, Kelly, Swart & Augspurger
Buffalo, New York

CERTIFIED PUBLIC ACCOUNTANTS
Peat, Marwick, Mitchell & Co.
Buffalo, New York

TRANSFER AGENTS
Marine Midland Trust Company of Western New York
Buffalo, New York
Canada Permanent Trust Company
Toronto, Ontario, Canada



G. C. METCALF
Chairman, Board of Directors



F. B. KRYSIAK
President & Chief Executive Officer



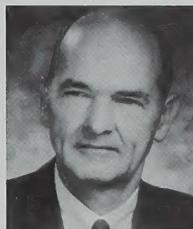
M. D. GLEASON
Vice President—Finance & Secretary



P. KARUKSTIS
Vice President—Treasurer



R. M. MURRAY
Vice President—Store Operations



M. F. MCCORMICK
Vice President—Legal & Real Estate



G. D. PRICE
Vice President—Syracuse



H. B. SMITH
Vice President—Division Manager



R. F. SCHINDLER
Vice President—Marketing



J. F. KRISHER
Vice President—Advertising & Sales Promotion



J. C. GAJDA
Vice President—Meat Operations



R. L. HERRON
Vice President—Personnel & Public Relations



J. A. RITZ
Assistant Treasurer

Some members of Loblaws management team

Effective, aggressive management of a well run, modern company is achieved by assigning responsibility in depth to qualified motivated people. Such qualifications are evident throughout the Loblaws organization, and the responsibility for major corporate functions is placed squarely on the shoulders of those who can manage effectively. Loblaws corporate officers, shown on this page, are the men who individually, in their corporate responsibilities and as a management team, have effectively guided your company to a most successful year.

Directors' Report to Shareholders for the year ended March 29, 1969



It is a pleasure to report to you that your Company has completed a most successful year. This achievement was accomplished through the careful and creative planning of a young, capable and dynamic management team, despite many difficult challenges and competitive pressures.

During the year new profit programs were put into action in many of the functions and activities of our business. Modern merchandising methods, better expense control, improved data processing techniques for decision-making and more intensive training of operating personnel, are a few of the innovations that sparked our profitable results this year.

A fine balance between sales promotion and price incentive has resulted in increases in both our customer traffic and profit performance.

During the fiscal year ended March 29, 1969, your Company's operations attained their highest point in five years. Sales continued their strong upward trend to reach a level of \$248,326,429. At the end of the fiscal year your Company had 163 supermarkets in operation in the following states: New York, Pennsylvania, Ohio and California.

Notwithstanding a substantial increase in the Company's tax liability, earnings after taxes from operations amounted to \$2,414,556, which is a new five-year record and represents earnings of \$.65 per share. Direct comparisons with the abbreviated fiscal year ended March 30, 1968, are not meaningful. What is more significant at this time is that sales and earnings are definitely trending upward.

In this year's Annual Report you will see reflected the accomplishments of many of the departments of your Company; its training and development programs; customer relations; employee recognition programs; advertising; marketing; private label promotions and other aspects of your Company's activities.

On March 28, 1969, National Tea Co. acquired from D.F.C. Inc., a subsidiary of Loblaw Grocerias Co., Limited, 71.4% of the outstanding capital stock of Loblaw Inc. On the same date, D.F.C. Inc. called for redemption the 7,900 shares of its 5% redeemable preferred stock held by your Company and the proceeds of the redemption were applied to retire your Company's bank loan from the Bank of America.

The philosophy of Loblaw Inc. is to offer every member of the Loblaw management team the opportunity to operate to the fullest possible potential, to give all of our customers the best possible value for every food dollar spent in Loblaws supermarkets and to provide the highest possible return on investment for our stockholders.

Our present company policies are successful and with our proven capable management team, prospects for the continuation of Loblaw's earning growth in the coming year are excellent. The morale of the Loblaw organization is high and with the support of the Company's stockholders and employees, we have good reason to be optimistic for the future and are confident of the continued progress of your Company in the coming year.

A handwritten signature in blue ink that reads "G. C. Metcalf".

G. C. METCALF
Chairman

A handwritten signature in blue ink that reads "F. B. Krysiak".

F. B. KRYSIAK
President & Chief Executive Officer

LOBLAW INC. and Subsidiaries



FINANCIAL HIGHLIGHTS

YEAR ENDED	SALES	EARNINGS BEFORE INCOME TAXES	INCOME TAXES	NET EARNINGS	EARNINGS PER SHARE (1)	RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	LONG TERM DEBT	BOOK VALUE PER SHARE
3/29/69	\$ 248,326,429	\$ 4,266,990	\$ 1,852,434	\$ 2,414,556	\$.65	1.70	\$ 3,733,307	\$ 9.90
43 Weeks to 3/30/68	192,934,215	1,637,583	435,918	1,201,665	.31	1.75	10,401,367	9.55
53 weeks to 6/3/67	241,838,651	2,882,211	1,026,569	1,855,642	.48	1.43	3,927,412	9.54
5/28/66	249,616,025	3,264,390	1,289,841	1,914,761	.49	1.42	5,163,815	9.44
5/29/65	235,480,387	3,180,998	1,196,258	1,850,785	.49	1.55	6,402,060	9.37
5/30/64	230,630,904	2,440,323	425,310	1,890,319	.50	1.56	6,943,125	9.28

(1) Based on shares outstanding at each year end; exclusive of extraordinary earnings per share of \$.04 in 1969 and \$.07 in 1966.

Statement OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

Fifty-two weeks ended March 29, 1969, with figures for forty-three weeks ended March 30, 1968, and for fifty-three weeks ended June 3, 1967



	52 weeks ended Mar. 29, 1969	43 weeks ended Mar. 30, 1968	53 weeks ended June 3, 1967
Sales	\$ 248,326,429	\$ 192,934,215	\$ 241,838,651
Cost of sales	198,089,176	155,481,837	195,636,987
Selling, general and administrative expenses	40,785,475	32,021,412	38,705,108
Taxes (other than income taxes)	2,375,043	1,839,983	2,514,930
Depreciation (note 3)	2,479,120	1,962,111	2,212,778
	<u>243,728,814</u>	<u>191,305,343</u>	<u>239,069,803</u>
Operating income	4,597,615	1,628,872	2,768,848
Income from dividends and interest	664,247	501,164	783,408
	<u>(994,872)</u>	<u>(492,453)</u>	<u>(670,045)</u>
Earnings before income taxes	4,266,990	1,637,583	2,882,211
 Federal and State income taxes:			
Current	1,824,994	466,798	1,013,529
Deferred—through use of accelerated depreciation for tax purposes (note 3)	27,440	(30,880)	13,040
Total provision for income taxes	1,852,434	435,918	1,026,569
Earnings before extraordinary credit	2,414,556	1,201,665	1,855,642
 Extraordinary credit—premium on redemption of			
D.F.C. Inc. preferred stock	158,000	—	—
Net earnings	2,572,556	1,201,665	1,855,642
Retained earnings at beginning of period	30,964,189	30,930,486	30,641,107
	<u>33,536,745</u>	<u>32,132,151</u>	<u>32,496,749</u>
 Less dividends paid (\$.40 per share for 1969 and 1967; \$.30 per share for 43 weeks ended March 30, 1968)			
	1,504,423	1,167,962	1,566,263
Retained earnings at end of period	<u>\$ 32,032,322</u>	<u>\$ 30,964,189</u>	<u>\$ 30,930,486</u>

See accompanying notes to consolidated financial statements.



LOBLAW INC. AND SUBSIDIARIES

Consolidated

Assets	1969	1968
CURRENT ASSETS:		
Cash	\$ 5,017,762	\$ 7,620,042
Notes and accounts receivable	1,925,244	1,842,994
Merchandise inventories, at lower of cost (average) or market	21,540,267	20,133,420
Prepaid expenses	1,159,638	1,162,271
Total current assets	<u>29,642,911</u>	<u>30,758,727</u>
INVESTMENTS AND OTHER ASSETS (note 2)	4,870,268	12,494,734
PROPERTY AND EQUIPMENT, AT COST (note 4):		
Land	2,121,106	2,045,496
Buildings	6,567,347	5,145,746
Equipment	24,136,931	22,943,087
Leasehold improvements	5,271,285	5,083,050
Automotive	1,934,972	1,644,797
Construction in progress	195,512	545,865
Less accumulated depreciation (note 3)	40,227,153	37,408,041
Net property and equipment	<u>17,786,208</u>	<u>16,666,358</u>
	<u>22,440,945</u>	<u>20,741,683</u>
EXCESS COST OF SUBSIDIARY AT DATE OF ACQUISITION	1,842,088	1,842,088
GOODWILL	1	1
DEFERRED CHARGES	479,729	535,992
	<u>\$ 59,275,942</u>	<u>\$ 66,373,225</u>

See accompanying notes to consolidated financial statements.

Balance Sheet

March 29, 1969, with comparative figures for March 30, 1968



Liabilities and Stockholders' Equity

	1969	1968
CURRENT LIABILITIES:		
Notes payable to bank	\$ 2,300,000	\$ 2,072,500
Current installments on long-term debt (note 4)	553,887	1,515,515
Accounts payable and accrued expenses	13,344,946	13,787,042
Federal income taxes	1,283,767	180,875
Total current liabilities	<u>17,482,600</u>	<u>17,555,932</u>
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS (note 4)	3,733,307	10,401,367
DEFERRED FEDERAL INCOME TAXES (note 3)	1,211,755	1,185,479
RESERVE FOR WORKMEN'S COMPENSATION INSURANCE	50,000	50,000
STOCKHOLDERS' EQUITY:		
Capital stock of \$1 par value per share.		
Authorized 5,000,000 shares; issued 4,087,488 shares	4,087,488	4,087,488
Additional paid-in capital	4,341,789	4,341,789
Retained earnings	<u>32,032,322</u>	<u>30,964,189</u>
	<u>40,461,599</u>	<u>39,393,466</u>
Less cost of 370,481 (194,281 in 1968) capital shares in treasury	<u>3,663,319</u>	<u>2,213,019</u>
Total stockholders' equity	<u>36,798,280</u>	<u>37,180,447</u>
COMMITMENTS AND CONTINGENT LIABILITY (note 5).	<u>\$ 59,275,942</u>	<u>\$ 66,373,225</u>

Approved on behalf of the Board

F. B. KRYSIAK, Director

M. D. GLEASON, Director

Notes to Consolidated Financial Statements

MARCH 29, 1969

(1) **Principles of Consolidation.** The consolidated financial statements include the accounts of the Company and its subsidiaries.

(2) **Investments and other Assets.** Investments and other assets consist of the following:

Securities at cost: 262,963 shares National Tea Co. (parent company of Loblaw Inc.) capital stock (quoted market value at March 29, 1969 \$3,747,223)		\$ 4,437,500
Other		10,031
		\$ 4,447,531
Notes receivable and advances		422,737
		<u>\$ 4,870,268</u>

(3) **Depreciation and Reserve for Deferred Federal Income Taxes.** Depreciation on property and equipment has been provided on the straight-line method for reporting purposes. The declining-balance method has been used in connection with certain assets for tax purposes. During the current year depreciation for tax purposes exceeded that taken for reporting purposes by approximately \$53,000, and the resulting decrease in Federal income taxes (approximately \$27,000) has been added to the reserve for deferred Federal income taxes and charged to current earnings.

(4) **Long-term Debt.** Long-term debt consists of the following:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Installments</u>	<u>Current</u>	<u>Long-term</u>
Notes payable:				
Bank loans:				
Nov. 11, 1972	6 1/2-8 1/4 %	44 monthly payments: 10 at \$24,700; 13 at \$19,800; 15 at \$14,400 and 6 at \$6,400 each	\$286,600	\$ 472,200 (A)
Other:				
Feb. 3, 1973	7.233%	47 monthly payments of \$2,791 each, including interest	25,200	88,718 (A)
Mar. 7, 1975	5 1/2 %	\$2,527 semi-annually	5,055	22,746
Sept. 3, 1975	5 1/2 %	\$2,700 semi-annually	5,400	29,700
Mortgages payable:				
Aug. 1, 1978	5%	\$15,625 quarterly	62,500	531,250 (B)
Jan. 1, 1979	5 1/2 %	\$25,000 quarterly	100,000	875,000 (C)
Sept. 1, 1992	6 1/4 %	\$4,200 monthly including interest	11,828	610,687 (D)
Dec. 1, 1988	5 1/2 %	\$7,500 monthly including interest	31,365	1,048,965 (D)
Conditional sales contracts on fixtures and equipment:				
Apr. 1, 1972	Various	Monthly payments not in excess of \$2,162	25,939	54,041
			<u>\$553,887</u>	<u>\$3,733,307</u>

Security:

(A) Chattel mortgages on equipment
(B) Syracuse warehouse

(C) Buffalo warehouse
(D) Shopping Plaza

(5) **Commitments and Contingent Liability.** The aggregate minimum rentals under non-cancellable leases in effect at March 29, 1969 for each of the periods shown are as follows:

1970-74	\$20,151,078	1985-89	788,939
1975-79	7,872,119	1990 and later	128,544
1980-84	3,219,950		<u>\$32,160,630</u>

The Company remains secondarily liable on a mortgage of \$966,000 applicable to depreciable property sold in a prior year.

(6) **Pension Plans.** Substantially all employees are covered by an employees' contributory retirement plan or by defined-contribution union negotiated pension plans. Past service costs have been paid in full, and company policy is to fund pension cost accrued. Pension expense for the year ended March 29, 1969 amounted to \$710,808, after taking into account amortization of and interest on overfunding.

Accountants' Report

PEAT MARWICK MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
1515 LIBERTY BANK BUILDING
BUFFALO, NEW YORK 14202

The Board of Directors and Stockholders
Loblaw Inc.:

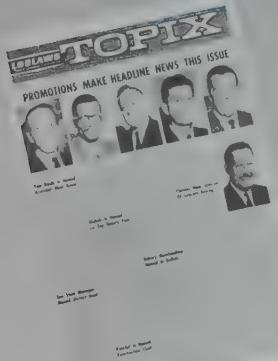
We have examined the consolidated balance sheet of Loblaw Inc. and subsidiaries as of March 29, 1969 and the related statement of earnings and retained earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Loblaw Inc. and subsidiaries at March 29, 1969 and the results of their operations for the fifty-two weeks then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

May 7, 1969

COMMUNICATION



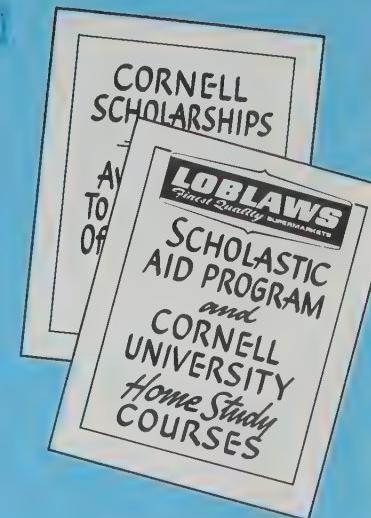
With our company's supermarkets located in many cities and towns, effective communication with our Loblaws employees' families is of paramount importance. The title-line is the employee publication "Topix". Here each and every employee of Loblaws is kept abreast of the news most current throughout our organization. It keeps all our Loblaws team posted as to what's going on at our company, as well as giving recognition to many of our employees and their families.

Topix is published regularly and features timely, interesting articles that effectively communicate with all Loblaws people. This publication helps encourage a spirit of togetherness in the Loblaws family.

EDUCATION

Home study courses and regular college courses are made available to our employees through our educational aid program. Everyone in our company, who wants to improve through education, finds Loblaws ready and willing to assist. This enlightened philosophy is building better people for the future success of our company.

During the past year Loblaws announced a new scholarship plan, providing educational opportunity for employees and their children. This annual award for each of two scholarship winners is directed to qualified youngsters, who wish to pursue a future in food distribution and retailing, thus helping to build the Loblaws management team of the future.



PARTICIPATION

Just as in football, the corporate "huddle" is achieved by managers' meetings and seminars. Regularly scheduled spring and fall meetings bring store managers and department heads together to discuss plans and evaluate past efforts. Workshop sessions provide an opportunity to share problems and work together to find solutions. New ideas and courses of best action for continued success are the product of these give and take sessions.

On the family social front, the annual bowling tournament provides an opportunity for all employees to get together in friendly competitive recreation. It's the year's most outstanding get-together and the bowlers bring their families to enjoy the additional pleasure of the Loblaws "family picnic".

Another form of participation is the suggestion system in which suggestors are awarded cash for their ideas that can improve our company in any way, whether in stores, warehouses, or transportation. During the past year there were suggestions submitted by employees in all areas of operation.



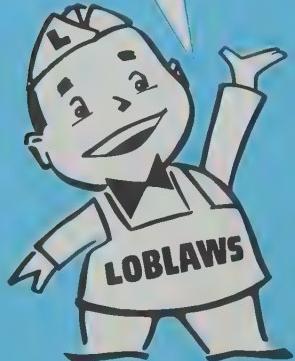


Over 5,000
regular
employees
doing their
part to render
customer
satisfaction
in our stores!

There are over 5,000 full and part-time Loblaw employees who are dedicated to the purpose of rendering the best service to all of our customers everywhere. Whether at our checking desks, in our offices, or our Loblaws trucks on the road, everyone's attention is focused on the ultimate goal of our company . . . courtesy at all times and rendering friendly, prompt service to our customers.

All Loblaws employees are selected for their many qualifications, one of the most important being their ability to get along with people, to give our customers, as well as the public in general, the most courteous and friendly image possible.

All members of the Loblaws family have a ready smile plus a pleasant and efficient manner. They are trained to handle the most difficult of situations in contact with our customers, at all times leaving the best impression of our company.



CONSISTENT QUALITY CONTROL IS IMPORTANT AT LOBLAWS



Loblaws Quality Control Laboratory has an extensive assortment of equipment and scientific devices. These are designed for the purpose of evaluating and testing the quality of food products, which ultimately find their way to the shelves of Loblaws supermarkets.

Not only canned goods, but every product sold at Loblaws must pass the test of quality. It's in this department that a truck load, a car load, or even a train load of merchandise is either accepted for sale at Loblaws, or in some cases returned to the manufacturer for failing to pass the Loblaws quality standards.

Our laboratory assures consistent top quality for our customers. It also serves as an immediate clearing house for every customer complaint about any food product sold in our stores. The cause for complaint is determined immediately and proper action promptly taken. This builds our customers' confidence in us and strengthens their loyalty to Loblaws.



NEWEST AND BEST METHODS IN DATA PROCESSING KEEP LOBLAWS No. 1

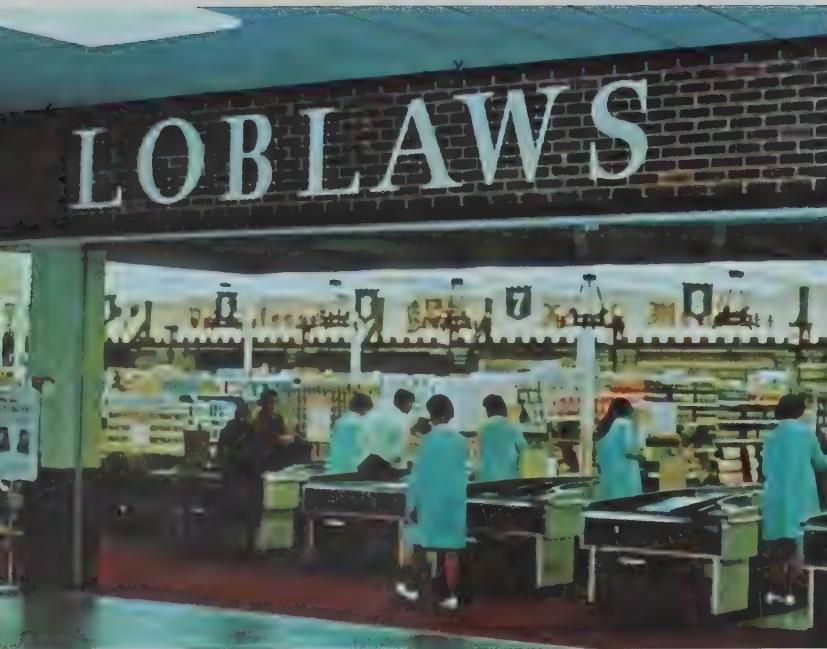
Loblaws electronic data processing department is equipped with the most up-to-date computer equipment for our needs. Payroll, store ordering, sales and profit reports, and a vast amount of valuable operational information is stored in the memory disk file of this complex unit. The information is available immediately in a form that can be used by Loblaws management team to make the best decisions in the shortest possible time.

The latest addition to this department is an optical scanner, which electronically "reads" orders written in stores in our three state area of operation.

This world of electronic devices, a strange one to the layman, represents our projection into the future; for information retrieval at ultrasonic speeds means better sales and profits, faster service to our stores, closer control of inventories, and ultimately better service to our customers.

We are proud that our data processing department is one of the best in the industry. It has contributed greatly to the success of our company in the past year.





GOOD DESIGN IS GOOD BUSINESS

Providing our customers with a pleasing place to shop is the responsibility of our design department. And during the past year Loblaws has been widely hailed as one of the leaders in supermarket design on the eastern seaboard. New stores, a vital link to our most encouraging results during the past year, reflect the tasteful, coordinated designs that have earned such widespread recognition. Remodeled stores, too, have earned a great measure of recognition from our customers, who have shown their approval by increasing our sales substantially in every store where a remodeling has taken place.

Good design is good business, for good design reflects the progressive attitude of your Loblaws on-the-move.

More remodelings are planned for the future to update and renovate those markets, which have the potential to increase sales and give a greater return for our investment.



The combined customer count of Loblaws and its subsidiary companies exceeds one million per week. This represents a potential of the same number of families . . . or a total of nearly four million people each week, who consume meals of food supplied by Loblaws and its subsidiaries. This is a large segment of the population in our operating areas, and an overwhelming vote of confidence in the quality merchandise and food values available at Loblaws supermarkets. There is potential for even more; and it's with this in mind that we constantly strive to strengthen our bond with regular loyal customers and also attract many new ones every day. Our total company image and operation is constantly being scrutinized for improvement.

The future looks bright; and all our efforts are directed toward improving sales and profits and increasing the number of customers who shop our stores every week.

Serving
over one
million
customers
each week in
New York,
Penna., Ohio,
& California!





WE ARE PROUD OF THE QUALITY OF OUR PERISHABLES AND HAVE EMBARKED ON A CONCERTED DRIVE TO STRENGTHEN OUR ALREADY STRONG IMAGE AS A SELLER OF FINE QUALITY MEAT PRODUCTS.

Part of our selling effort is represented by our slogan: "BEST MEATS IN AMERICA" for we proudly proclaim this truth. In the Omaha, Nebraska area, the heart of the nation's cattle country, the finest western beef comes to market. There our own beef selector makes sure that our meat buyers get first choice of the nation's finest beef, to be branded and shipped to Loblaws. This is just one important way to assure ourselves and our customers of getting the best quality beef. In fresh pork and poultry, too, equal effort is exerted to get the finest merchandise to sell our customers. Loblaws enjoys the best reputation for fresh meats in all of our operating areas. We select and buy the best quality available; then handle it properly in our stores. That is why we confidently tell our customers they may receive "double your money back if you are not satisfied with your Loblaws fresh meat purchase".



FARM FRESH POULTRY  FLAVOR-PRIDE PORK



TENDER AGED BEEF



PRIVATE LABEL DEVELOPMENT

In a highly brand-conscious America, most private label products struggle for survival. Not so with Orchard Park, our private label line. Because of its consistent fine quality and good value, it has been accepted by hundreds of thousands of food shoppers. As a result, our sales of private label products are constantly increasing. Good value, consistent top quality, as well as diversification of product line under the Orchard Park brand, have been our goal.

A new label for our Orchard Park products, designed two years ago by our sales promotion and advertising department, has been an award-winning design, and has contributed greatly to the shelf presence of your Orchard Park brand. As a result, the increase in sales of private label has accelerated tremendously. Everything from soup to saltines, from summer beverages to baking needs, is available under this label. Your company has one of the best private label programs in our industry.

Shareholders hold a share in the success of Orchard Park merchandise too, for while it offers substantial savings to the consumer by comparison with national brands, it also provides greater profit opportunities for Loblaws.

